

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB STORY**, on February 14, 2001 at 8:00 A.M., in Room 472 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Bob Story, Chairman (R)  
Rep. Ron Erickson, Vice Chairman (D)  
Rep. Roger Somerville, Vice Chairman (R)  
Rep. Joan Andersen (R)  
Rep. Keith Bales (R)  
Rep. Joe Balyeat (R)  
Rep. Gary Branae (D)  
Rep. Eileen Carney (D)  
Rep. Larry Cyr (D)  
Rep. Rick Dale (R)  
Rep. Ronald Devlin (R)  
Rep. John Esp (R)  
Rep. Gary Forrester (D)  
Rep. Daniel Fuchs (R)  
Rep. Verdell Jackson (R)  
Rep. Jesse Laslovich (D)  
Rep. Butch Waddill (R)  
Rep. Karl Waitschies (R)

**Members Excused:** Rep. Trudi Schmidt (D)  
Rep. David Wanzenried (D)

**Members Absent:** None.

**Staff Present:** Jeff Martin, Legislative Branch  
Rhonda Van Meter, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 534, 2/12/2001; HB 225,  
2/8/2001  
Executive Action: HB 378; HJ 12

**EXECUTIVE ACTION ON HB 378**

**Motion:** REP. SOMERVILLE moved that HB 378 DO PASS.

**Motion:** REP. BALLYEAT moved that AMENDMENT to take out the allocation of the bed tax and provide that the Southern Amtrak Route Account could accept gifts, grants, and donations DO PASS.

**Motion carried 17-3 with Erickson, Schmidt, and Wanzenried voting no.**

**Motion:** REP. BALLYEAT moved that HB 378 DO PASS AS AMENDED.

**Discussion:** REP. ESP asked what the purpose would be of setting up the account since they already have a private fund set up.

REP. ERICKSON said the original idea was to show Amtrak that this state cared enough to put up some money. Now they will have a state account and allow donations to go into that account, and this at least shows somebody in the state cares enough to set up an account with people putting money in. REP. BALLYEAT said originally the bill wanted \$25,000 per year of state money into the account. The account is still needed in order to put the Federal money toward the engineering study. REP. SOMERVILLE said he does not understand why the system in the south needs to be developed when the system in the north is not apparently working very well. REP. STORY asked why the account is needed and if Federal money goes into this account. REP. LEE said there will not be any Federal money going into the account. The account is necessary to show the state commitment to match the Federal money. This is for the engineering operating study only. REP. ANDERSEN asked what year the northern Amtrak route has to be self-supporting by. REP. SOMERVILLE said he does not remember the date. REP. ANDERSEN asked if the southern Amtrak route would have to be self-supporting by the same time the northern route. REP. LEE said the transport routes help Amtrak become self-sufficient because they can expand service. REP. ANDERSEN why express cars are not being used now if that is a way to help them become self-supporting. REP. LEE said because there is not enough of them built yet. REP. ESP asked if the reason to have this account instead of just the private account is so they can put money in and pretend they have state finance support. REP. LEE said there is not a private account. The account Mr. Green has is specific to getting the railroad and is not to pay for an engineering operating study. We need to show a state commitment with a state account. REP. BALLYEAT asked if just a private account could have been set up with citizens contributing. REP. LEE said they could do this, but that does not show state commitment. REP. ERICKSON asked if it is the intent to do a fund raising drive to put money into the account. REP. LEE said this

is correct. Citizen commitment will not do any good if there is not a state account.

**Motion/Vote:** REP. BALLYEAT moved that HB 378 DO PASS AS AMENDED. Motion carried 18-2 with Somerville and Story voting no.

**EXECUTIVE ACTION ON HJ 12**

**Motion:** REP. ERICKSON moved that HJ 12 DO PASS.

**Discussion:** **EXHIBIT**(tah37a01) REP. ERICKSON said if the money is put into the trust, you get a whole lot more bang for the buck. REP. ESP asked if the financial analysis has any adjustments for inflation. REP. ERICKSON said it did not. REP. BALLYEAT reminded Rep. Erickson that he said, "I don't think it is the business of state government to have little pots of money sitting around that aren't being utilized." It is easy to put the money into the pots, but it is very difficult to get it out, as it requires a 2/3 vote. The constitutional language might actual forbid the legislature from using the money based on court interpretation. It would be a political mistake to put any more money into the tobacco trust fund than we have to. REP. STORY said the sheet handed out just shows accumulated returns. There is fairly substantial revenue to spend in the far years out. REP. ERICKSON said a lot of money will be spent on health and tobacco prevention if you look at the 90% interest, which is \$656 million. The idea that went to the ballot was for 40% of the money to be put into a trust. People will argue that is what they voted for, but this was a compromised figure. There will be more done for health care if 100% is put into the trust fund, because the cumulative is better. REP. JACKSON said during the special session there was talk from the medical field that they need state money to leverage Medicare. This would be his top priority, and critical needs are there. The medical care listed in the bill is marginal. Tobacco prevention programs are ineffective and pretty much a waste of money. The ads on television produced by the state are extremely poor. REP. CARNEY said if this money is taken to make more money off of it, we will be a lot better off in the long run than if we just spend it right now. REP. WADDILL said prevention is a key to the problem of tobacco use. If the programs are not effective, we should make them effective. REP. ESP said if it is assumed the legislature would spend the general fund column on health care, by the tables provided we are actually spending more money in the first option than the health care option. REP. BALES said he is not in favor of the full 100% being put into the trust fund. Part of the money from interest could be put back toward the principal to grow the fund in the years to come. There are some

needs now for money, and to put 100% of the money into the trust fund defeats the purpose of it. **REP. FUCHS** said we have never been able to establish what the cost has been to taxpayers for subsidizing the costs of smokers. There has to be a certain amount of money going back toward these things right now, so we should not put 100% into the trust. **REP. BALLYEAT** said all of the points brought up regarding what the money should be used for are different. The numbers and interest on the handout cannot necessarily be trusted, because the return varies.

**Motion/Vote:** **REP. DEVLIN** moved that **HB 378 BE TABLED**. Motion carried 11-9 with Branae, Carney, Cyr, Erickson, Forrester, Laslovich, Schmidt, Waddill, and Wanzenried voting no.

**REP. ERICKSON** said the two affordable housing bills were passed on the floor. If that part of the TANF bill passes or if another bill sitting in appropriations having to do with TANF funds for the same revolving loan account go through, we need to change the present housing loan account. **EXHIBIT(tah37a02)** This is some language for a possible committee bill. **Jeff Martin** said it requires a 3/4 vote to get a committee bill. **REP. ERICKSON** said this defines what a TANF eligible family is, which was suggested as 200%. Under the present statute you cannot use TANF funds for construction, and we need to have something in current law to say this. **REP. FUCHS** asked what 200% is for a family of four. **REP. ERICKSON** said he did not know. **Jeff Martin** said he had drafted another bill based on poverty levels and could get that information. In the 1999 rules, committee revenue bills have to be requested by the 62<sup>nd</sup> day.

#### **HEARING ON HB 534**

**Sponsor:** **REPRESENTATIVE HOLLY RASER, HD 70, Missoula**

**Proponents:** **Patti Keebler, Montana AFL-CIO**  
**Sami Butler, Montana Nurses Association**  
**Beta Lovitt, Montana Medical Association**  
**Verner Bertelsen, Montana Senior Citizens Association**  
**Dorothea Bertelsen, Montana Senior Citizens Association**  
**Del Lonnquist, AARP**  
**Ray Fenton, AARP**  
**Representative Brad Newman**  
**Jim Smith, Montana Pharmacy Association**

**Opponents:** None.

**Opening Statement by Sponsor:**

***{Tape : 1; Side : B; Approx. Time Counter : 15.1}***

**REP. RASER** said this bill allows a tax credit for people over 65 years of age equal to 50% of the out-of-pocket cost for prescription drugs. One in four Montanans have no or inadequate prescription drug coverage. For aging citizens, this can be devastating. Prescriptions are very expensive, and for seniors who are on fixed incomes or inflexible insurance policies, it can lead to them not being able to afford the prescription medicines they need to keep them healthy. There are median incomes stated in the bill, because these are the people who would most likely have some insurance but not the best coverage to cover all of the prescription drug costs and are not eligible for Medicare. She reviewed the fiscal note and pointed out this is not a refundable credit.

**Proponents' Testimony:**

***{Tape : 1; Side : B; Approx. Time Counter : 26.5}***

**REP. BRAD NEWMAN** said the problem of spiraling prescription costs needs to be addressed along with the limited income growth many of the seniors are facing. Missouri has a tax credit for their seniors which addresses their income levels and rising prescription costs. During the 1990's, the price of drugs most commonly used by seniors increased more than twice as much as the overall cost of living. The limited income of the senior population is not growing. This is a chance to recognize the burden these prices put on their budget and to provide some assistance. The money we give to these people in a tax credit will be put back into food, clothing, and rent.

**Verner Bertelson, Montana Senior Citizens Association,** said he is aware of the medication expenses across Montana. Prescription prices are increasing, as well as electricity and fuel prices. This is a bill in which the legislature can help seniors.

**Del Lonnquist, AARP,** said the fiscal impact of this bill is minimal, but the fiscal impact of one spell of illness on one of our senior citizens is devastating. There is a never ending need for these prescription drugs that get more expensive all the time. This is not just a senior citizen issue.

**Patti Keebler, AFL-CIO**, said they support this bill in an effort to ease the burden of the prescription drug costs senior citizens face. **EXHIBIT (tah37a12)**

**Jim Smith, Montana Pharmacy Association**, said the pharmacists are the ones who look across the counter at a senior citizen and collect the high cost for prescriptions. This bill is a way to help senior citizens without disrupting the pharmaceutical market place. It is carefully structured and targeted toward specific incomes and age.

**Sami Butler, Montana Nurses Association**, said she has seen numerous incidents of people in the hospital because they did not take their medications. This is one solution to helping Montana's seniors with their costs.

**Beta Lovitt, Montana Medical Association**, said this bill targets a population that needs some help desperately. Their physicians see the problems senior citizens face and hand out samples as frequently as they can, but this does not take care of the person who must take the medication the rest of their life.

**Questions from Committee Members and Responses:**

**{Tape : 2; Side : A; Approx. Time Counter : 11.4}**

**REP. SOMERVILLE** asked why the Medical Care Savings Account enacted in 1995 is not being used. **Verner Bertelson** said in many cases it is not being used because they find themselves in a position where their money is primarily going to take care of their everyday living expenses, and they do not have the money to set aside into a savings account. **REP. SOMERVILLE** asked if they are paying the money anyway why they do not put money into the savings account and get the deduction. **Verner Bertelson** said in most cases in the lower and medium levels of income, they do not have the money to put into a savings account after making all of their payments. **REP. SOMERVILLE** asked what program would be preferred, the current Medical Care Savings Account where you can deduct 100% of the cost of the proposed bill where they can deduct 50% of the cost. **Verner Bertelson** said they are probably not using either one but still have to buy their medicine. This bill gives them some relief because they do not have to put the money into the savings account.

**REP. BALYEAT** asked if this is a credit or deduction. **REP. RASER** said this is credit. **REP. BALYEAT** asked if the sponsor believes that as noted on the fiscal note only 10% of the eligible people will use this credit. **REP. RASER** said she did not come up with the figure. It is probable that a lot of people might not be

aware the credit is available. **REP. BALLYEAT** asked if the sponsor had thought about phasing the income level in instead of cutting it off. **REP. RASER** said originally there was a phase-in included in the bill, but they decided to go as simply as possible. There is a drawback of being \$1 over the stated income. **REP. BALLYEAT** asked if the sponsor had considered a nonrefundable credit would help higher income people more because they have more income tax liability. **REP. RASER** said she had thought about this and originally wanted it to be a refundable tax credit, but understanding the fiscal responsibilities of this legislature, they felt the best chance they had to pass anything was to make the fiscal note as small and conservative as possible. She is targeting very carefully people of moderate means who worked hard and tried to save but need the relief. **REP. BALLYEAT** asked if it is agreed that by encouraging third-party payers, such as insurance companies, we would be moving further toward removing cost constraints and would drive prescription costs higher. **Jim Smith** said they are disturbed of the transition between first-party payment to third-party payment. They have a concern that customers are insulated from the economics of their behavior. It is largely senior citizens who do not have coverage plans, and they are the last of the first-party payers. Even in Medicaid a co-payment is required, and this is a good idea even though it is a hardship for low income or senior citizens, because it communicates to them there is cost associated with the purchase of prescription drugs.

**REP. JACKSON** asked what the perspective is on the opinion that the fastest growing drug prices are for the "feel good" medications, which are the ones that are not necessary but make people feel good. **Jim Smith** said he is unsure how private insurance companies treat these, but the state Medicaid programs have prior authorization, and before they approve these drugs they must be prior authorized.

**REP. FUCHS** asked if it would be better to eliminate the income tax on these people and implement a sales tax that exempts prescriptions. **REP. RASER** said there are advantages and disadvantages of both ways.

**REP. WAITSCHIES** asked what income level Medicaid is paid up to. **REP. RASER** said she does not have that information. **REP. WAITSCHIES** asked if Medicare pays any prescription costs. **REP. RASER** said she understands Medicare pays according to what someone has paid in. Medicaid is different funding based on income eligibility. **Jim Smith** said Medicare will pay for prescriptions drugs while you are in the hospital. There is no out-patient prescription drug coverage.

**REP. DALE** asked if the sponsor would consider earmarking tobacco funds for this need. **REP. RASER** said this is an excellent suggestion.

**REP. ERICKSON** asked if the program in Maine is one of the programs Mr. Smith would be against. **Jim Smith** said yes. **REP. ERICKSON** asked if the sponsor would consider an amendment to put phase-in language into the bill in order to make it revenue neutral. **REP. RASER** said yes.

**Closing by Sponsor:**

***{Tape : 2; Side : B; Approx. Time Counter : 4}***

**REP. RASER** said this is not a perfect bill and will not solve all of the problems of senior citizens, but it is good policy and a good start. She read a portion of the Montana Older Americans Act.

**HEARING ON HB 225**

**Sponsor:** REPRESENTATIVE TRUDI SCHMIDT, HD 42, Great Falls

**Proponents:** Sarah Cobler, Associated Students of U of M  
Kay Unger, MEA-MFT & University Foundation  
Association  
Mick Hanson, University of Montana  
Arlene Hannawalt, Montana Guaranteed Student Loan  
Program  
Representative Rosie Buzzas  
DarAnne Dunning, University of Montana  
Christopher Wilcox, University of Montana  
Christopher Zeeck, University of Montana  
Verner Bertelsen, Montana Senior Citizens  
Association  
Dorothea Bertelsen, Montana Senior Citizens  
Association  
Erin Thompson, Associated Students of U of M  
Molly Moon Neitzel, Associated Students of U of M  
Dick Crofts, Commissioner of Higher Education  
Dustin Stewart, Associated Students of MSU  
Cathy Conover, Montana State University  
Al Getten, Great Falls High School  
Jarid Harris, Montana State University  
Matthew Jozovich, Montana State University  
Jamie Brogan, Montana State University



**Allison Reddig, Montana State University**  
**Eric Farris, Montana State University**

**Opponents:**       None.

**Opening Statement by Sponsor:**

***{Tape : 2; Side : B; Approx. Time Counter : 7.2}***

**REP. SCHMIDT** said there are amendments to the bill.

**EXHIBIT (tah37a03)** These amendments specify more clearly how the coal trust is to be used, how the money will be disbursed, and explains the bill more thoroughly. This bill is important for Montana's higher education system. It will create a trust within the coal trust and use the money for the Montana High School Honor Scholarship program and other financial aid. There is a clear financial need on the part of our resident students. The average debt load of students coming out of the university system is \$17,000 per year. The impact of this is that these students look at out-of-state employment opportunities to pay off the debt. The Montana High School Honor Scholarship is offered to the top students in high schools across Montana. The university system has almost as many who turn it down to accept better offers out of state. This bill will expand the High School Honors program so there is a four-year package for these students. The two pressure points being addressed are the financial need of students since the state support for higher education has stayed flat and increase costs for students. The burden of a college education is equally on tuition as on state support, so this is put on the students and parents. Since 1992, the state support has decreased about 26% if you factor in inflation, but tuition has gone up 106%. Montana has one of the highest tuition rates in the region. A trust within the permanent coal trust would be created and referred to as the Higher Education Trust Fund in the amount of \$100 million. 90% of the interest earned from the trust will fall into a special revenue account to fund the High School Honors program starting with school year 2002. The other 10% is returned to the trust within the trust for future growth. **EXHIBIT (tah37a04)** She read a letter from Mark Semmens, Board of Regents, into the record. **EXHIBIT (tah37a05)**

**Proponents' Testimony:**

***{Tape : 2; Side : B; Approx. Time Counter : 18.6}***

**Dick Crofts, Commissioner of Higher Education**, said typically in the west most university systems have been in the low tuition and low financial aid category. In Montana this has changed over the

years, and we are now a high tuition and low financial aid state. Almost \$3 million per year is state funds for need based financial aid. There is essentially no effective state program financial aid based on merit. There is a Board of Regents program, the High School Honor Scholarship program, which provides a waiver of tuition for the first year a student would attend the Montana university system. They are being turned down when offering these awards, because students get better offers from out-of-state institutions. This bill would expand the High School Honor Scholarship to a four-year program with the criteria of continued academic success and turn it into a cash scholarship program rather than just the fee waiver. Nationally on the average, 20% of the state's high school graduating class going onto college went to out-of-state institutions. In Montana, that figure in 1998 was 27%. This is a concern.

**Dustin Stewart, Associated Students of Montana State University,** said economic development is a big factor for the students in the state and whether they are going to stay here after they graduate. As the honor students graduate from high school, they have quite a few options available to them. In they stay in Montana, they are going to end up borrowing to pay for their college education. He reviewed the financial aid handout. **EXHIBIT (tah37a06)** He reviewed the earnings and higher education comparisons. **EXHIBIT (tah37a07)** The top students in the state can be kept by lowering their debt.

**Sarah Cobler, Associated Students of the University of Montana,** said this bill is good public policy. It is a good idea to save a big pool of money and then just spend the interest, and the coal trust fund is a great opportunity to be fiscally responsible. If we invest in the students of Montana by effectively lowering their potential debt load, there will be a much higher return rate of those students staying here and investing into the economy.

**Cathy Conover, Montana State University,** explained the handouts. **EXHIBIT (tah37a08), EXHIBIT (tah37a09)** The High School Honor Scholarship needs to be expanded to a four-year financial aid package to help ease the financial strain the students and their families are facing with the rising costs of college. We want these top students to go to school in state, as they will be more likely to stay in state when they start their careers. They will also enrich and diversify the work force.

**Al Getten, Counselor, Great Falls High School,** said he has worked with students on the High School Honor Scholarship. At the high school, they are usually awarded 15-16 scholarships per year, and each year he has had to drop down to the 20<sup>th</sup> to 30<sup>th</sup> ranked

student to fill the scholarships. A common question asked is if the scholarship is renewable, and when the students hear this, it changes their interest in the Montana university system. This bill can keep the best students in Montana.

**Mick Hanson, Director of Financial Aid, University of Montana,** said grants and scholarships today make up 30% of the packages offered to the students. Loans now make up 70%. The graduating seniors have a debt of \$17,000, but the national average is \$11,140. Today minimum wage increases to match the inflationary rate of higher education would require the minimum wage to be over \$16 per hour, so students cannot earn their money to pay their way through school. This bill offers incentives to keep our brightest students in the state. With less debt, these students would not be forced to leave Montana.

**Arlene Hannawalt, Director, Montana Guaranteed Student Loan Program,** read her written testimony and explained the financial aid information. **EXHIBIT (tah37a10), EXHIBIT (tah37a11)**

**Kay Unger, MEA-MFT,** said Montana has a very high mark in preparation of high school students, but because of differential financial aid across the country, we lose the best students to other states. These students tend to not come back to Montana because they tend to get a job where they graduate from.

**Jarid Harris, Montana State University,** said students understand the financial burden is increasing. The students in the audience have traveled to Helena to show they care.

**Christopher Wilcox, University of Montana,** said without the scholarship program he would not be attending a university at this time.

**DarAnne Dunning, Student, University of Montana,** said she is a recipient of the honor scholarship, and it has been very helpful in being able to afford a college education.

**Christopher Zeeck, Student, University of Montana,** said he has completed three years of school without having to take out any loans because of the affordability of in-state tuition. Unfortunately with the increase in tuition he will have to take the next year off. This bill will allow students to continue with college and not get into debt.

**Molly Moon Neitzel, President, Associated Students of the University of Montana,** said the students of the university support the bill.

**Erin Thompson, Student Representative, University of Montana,** said she is an out-of-state student who came to Montana because of the affordable out-of-state tuition. If we can keep as many students coming to school for a good price, it will make the Montana university system even stronger.

**Matthew Jozovich, Student, Montana State University,** said he would like to stay in Montana when he graduates, but as an art major with college debt, he will most likely have to move out of state.

**Jamie Brogan, Student, Montana State University,** said she has received financial aid for all of the semesters she has attended but hopes to stay in Montana.

**Allison Reddig, Student, Montana State University,** said she is a recipient of the honor scholarship, and it has greatly helped her pay for tuition. Without the scholarship program and financial aid, she and her siblings would not be able to attend college.

**Eric Farris, Student, Montana State University,** said he has had to rely on financial aid for the last 4-5 semesters and would like to have the opportunity for more, as he is starting to have to take multiple jobs to pay for the schooling.

**Representative Rosalie Buzzas** said we are pricing kids out of an education. Everyone agrees you should work for your education, but in order to work now to pay for their education, it is taking them longer to graduate. The trust within a trust is a great way to fund these scholarships and financial aid for higher education.

**Verner Bertelson, Montana Senior Citizens Association,** said the coal trust has produced \$667 million worth of interest to Montana, which has helped cut down taxes the citizens have to pay. This legislation takes the money and uses it in a very worthwhile manner.

**Questions from Committee Members and Responses:**

***{Tape : 3; Side : B; Approx. Time Counter : 10.3}***

**REP. ESP** asked how long ago four-year scholarships were changed to one-year scholarships. **Arlene Hannawalt** said it was around 1976 or 1977.

**REP. STORY** asked what the opinion is of what spending would be reduced, as putting this money into this program it is a reduction in money available for the general fund. **REP. BUZZAS**

said some strategic decisions need to be made at the same time, but we do not want to bury the higher education system in Montana.

**REP. DALE** asked if there is a reason Utah, Wyoming, and Nevada are not included in the comparison on the handout. **Cathy Conover** said the comparison states were selected by the legislative fiscal analyst as a study to look at how other states fund their higher education systems. **Dick Crofts** said the peer states were developed by the legislature in the late 1980's. If these three other states were added, it would not significantly change the figures. **REP. DALE** asked if the sponsor would address how the amendments would affect the fiscal note. **REP. SCHMIDT** said the amendments put 90% of the interest from a newly created higher education trust within the trust into a special revenue account specifically dedicated to the Montana High School Honor Scholarship program and other financial aid. The start of the fund is July 1, 2002. The transfer of funds into the education trust fund is staggered over six years. This staggered transfer reduces the rate at which funds are pulled out of the main corpus of the coal trust, which reduces the fiscal impact on the general fund. The fiscal impact for this biennium would be \$461,500. The long-term impact after the full \$100 million is transferred would be about \$7 million annually.

**REP. ESP** asked what other student financial aid would qualify. **Dick Crofts** said if the flow of interest exceeds the needs for the program, they would devote the difference to need-based financial aid.

**REP. SOMERVILLE** asked if the program affects about 500 Montanans. **REP. SCHMIDT** said yes. **REP. SOMERVILLE** asked why the coal trust fund was set up. **Verner Bertelson** said it was set up with the idea that we had a nonrenewable resource that was leaving the state, and a certain percentage of that resource should be set aside for future generations as an endowment. **REP. SOMERVILLE** asked how it would benefit all of Montana by only focusing this money on 500 people. **Verner Bertelson** said you would have to hope those 500 are making an exceptional contribution to Montana. **REP. SCHMIDT** said it would be 500 the first year and then another 500 each year for four years, which will then be 2000. Montana law states the objectives of the coal trust fund are to diversify, strengthen, stabilize the Montana economy, and to increase Montana employment and business opportunities while maintaining and improving a clean and helpful environment.

**REP. ERICKSON** asked if it would be reasonable to consider that instead of 75% of the coal trust going to the Treasure State Endowment and 25% to the Water Fund a portion of this would go

directly into the Higher Education Trust Fund. **REP. SCHMIDT** said she likes how it is done right now in the bill. **REP. ERICKSON** said that he hoped in the future after this bill passes they come back and take a look at how this money now flows into the coal trust and how education could further benefit in future years.

**REP. JACKSON** asked if students who graduate from private schools would be excluded from the scholarship program. **REP. SCHMIDT** said she did not believe so. It is for all Montana residents.

**REP. LASLOVICH** asked if the student receiving the four-year scholarship would have to maintain a grade point average. **Arlene Hannawalt** said they would have to maintain satisfactory academic progress. They have not developed the criteria, but they are looking at a 3.0 GPA that the student would have to maintain.

**REP. BALES** asked if there is a steady decrease in the number of people staying to work in Montana and if it levels off. **Arlene Hannawalt** said some of the people living in Montana but not working may now be going back to get graduate degrees. It also possibly includes new mothers dropping out of the work force for a temporary time to spend more time with their children.

**REP. STORY** asked if most of the default rate on loans is with two-year trade schools. **Arlene Hannawalt** said very little of the default rate in Montana is due to trade schools. Most all of the students attend four-year institutions. More students are not completing their education, and they become high risk for paying the money back. **REP. STORY** asked if it is a problem with the four-year schools. **Arlene Hannawalt** said it is the problem of persistence and being able to stay in school. Many of the students who had to withdraw were head of households. There are now more non-traditional students going back to college trying to get their education. **REP. STORY** asked how Mr. Zeeck has completed three years of school without any debt. **Christopher Zeeck** said the first year of school his parents subsidized. The following year, he took a year off and joined the National Americore program in which he received nearly \$5000 in financial aid from the Federal government. His sophomore year he used this money and worked two jobs. He is trying to continue working this year, but it is difficult to go to school and work.

**REP. FUCHS** asked if the default rate relates to low Montana wages. **Arlene Hannawalt** said a student has a debt load of \$17,000, which is a payment of \$210 per month. If you speak with a lender, they will tell you your student loan payments should not exceed 8% of your income. In order to have an income to pay for a \$17,000 debt requires a job paying \$31,000 per year. The

average student in Montana does not graduate and go into a job paying this much. The students will not be able to stay here and work with that amount of debt load.

**Closing by Sponsor:**

***{Tape : 4; Side : A; Approx. Time Counter : 11.5}***

**REP. SCHMIDT** said there are significant changes to the fiscal note because of the amendments. The financial aid burden of our Montana residents is significant, and with this bill they are trying to ensure our top students stay in state so there is greater likelihood they will enter the Montana work force upon graduation. A highly skilled and qualified work force is a critical element of growth of business. Businesses will not come to Montana if the work force does not support their needs. With this bill, the university system will be much more competitive in keeping these outstanding students in state.

**ADJOURNMENT**

Adjournment: 11:43 A.M.

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REP. BOB STORY, Chairman

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RHONDA VAN METER, Secretary

BS/RV

**EXHIBIT** (tah37aad)